



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

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November 17, 2000

CERTIFIED RETURN RECEIPT  
Z 228 354 999

Steve Flechner, President  
North Lily Mining Company  
1800 Glenarm Place, Suite 210  
Denver, Colorado 80202

Re: Approval to Proceed with Heap Regrading/Project Completion Deadline - December 31, 2000,  
North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Mr Flechner:

The Division has assessed your October 31, 2000, proposal with supporting justification to regrade the heap materials off the pad liner margins. We have also received a copy of the Division of Water Quality acceptance letter dated November 14, 2000. The Division concurs with DWQ's assessment and hereby approves of your request. Please proceed with the heap regrading work as soon as practicable.

We are now mid-way through the month of November. There are 45 days left to complete the scheduled closure and reclamation activities required under the terms and conditions of the signed Stipulation and Consent Order. Although a number of line item tasks have been completed as outlined on Exhibit A (see attached), the major reclamation and closure tasks have not been accomplished to date. We are very concerned that the lack of significant progress in this regard may lead to an unsatisfactory conclusion on December 31, 2000, the established deadline for completing this work.

Program staff from this Division and the Division of Water Quality have committed an extraordinary amount of time and energy providing guidance and assistance to North Lily in an effort to help you stay on schedule and meet your closure and reclamation commitments. Numerous scheduling adjustments have been accommodated in recognition of North Lily's financial and technical problems. Consequently, the time frame to complete the remaining work is now significantly compressed, but the work can still be completed by the established deadline.

Recent statements made during the last conference call regarding your intention to request a partial bond reduction to help fund construction costs for the post-closure fluid management system, raises additional concern. It leaves the impression that North Lily is not financially prepared to complete the required reclamation work by year's end. As you know, Page 10, Section 14, of the Stipulation and Consent Order signed July 26, 2000, states that North Lily's economic inability to comply with any of the obligations of the Stipulation and Consent Order shall **not** be grounds for any extension of time, unless solely caused by *Force Majeure*.


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The Division is strongly committed to making sure that the required reclamation and closure activities are completed according to the approved schedule. We believe this is North Lily's intention as well and encourage you to take all reasonable and necessary steps to ensure that the required work is completed on time.

Thank you for your cooperation in this regard. We look forward to the closure of the Tintic Project by December 31, 2000, and will continue to help facilitate your efforts to the extent that we can. If you have any questions regarding this letter please contact me or Wayne Hedberg at (801) 538-5268 and 538-5286, respectively.

Sincerely,



Pamela Grubaugh-Littig  
Acting Associate Director, Mining

jb  
Attachment: Exhibit A  
cc: Bob Bayer, JBR Consultants  
Dennis Frederick, DWQ  
Wayne Hedberg, DOGM  
Doug Jensen, DOGM  
M23-07.gradaprvt.wpr



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November 14, 2000

TO: Minerals File

FROM: D. Wayne Hedberg, Permit Supervisor 

RE: Documentation of November 8, 2000 Conference Call, Assessment Review & Status of Closure & Reclamation Activities, North Lily Mining Company, Tintic Project, ~~MINER~~ 007, Juab County, Utah

Date of Call/Meeting: November 8, 2000  
Location: Division Offices  
Time of Call/Meeting: 3:00 - 4:00 p.m.  
Participants: Steven Flechner, Gene Webb - North Lily Mining Company; Bob Bayer - JBR Consultants; Dennis Frederick - DWQ; Wayne Hedberg, and Doug Jensen - DOGM

*Purpose of Call/Meeting:* The purpose of this conference call was to document the progress that has been made at the Tintic Project site since our last conference call on October 24, 2000.

On November 8, 2000, a conference call was held between the representatives identified above to discuss the status of ongoing closure and reclamation activities at the Tintic Project site. The discussion focused on activities that had been performed since our last conference call. A summary of the discussion item details follow:

- Doug began by giving an overview of his observations of the site conditions based upon his November 6, 2000 inspection. Water is starting to accumulate in the ponds to a limited extent due to recent precipitation events and cold weather pattern. Both misting systems were operating at the time of his inspection. Limited evaporation may still be occurring, albeit a minimal amount. Little else has changed since his last inspection.
- Wayne and Doug stressed the importance of scheduling the start up of the regrading work on the heap as soon as DWQ gave formal approval to push some of the heap material off of the liner margins. Bob said he had spoken with Bill Riley of Blue Rock Excavating who advised Bob that he thought he could begin the regrading work by mid-November.
- Dennis felt that DWQ could have a response letter back to North Lily between November 14 and 16<sup>th</sup>. He wanted Beth Wondimu to have opportunity to review JBR's latest request before their response letter was prepared. Bob said he would proceed to schedule their regrading plans accordingly.

- We also revisited our previous conference call discussion item regarding the scheduling and simultaneous performance of heap regrading work and the infiltration gallery construction by North Lily's contractor. Wayne asked if Blue Rock had sufficient equipment and personnel to work on both of these items at the same time. Bob believed that this was possible, however Steve expressed his concern with performing both items simultaneously. He is planning on seeking a partial bond release from the Division after the final post closure fluid maintenance plan is submitted to the agencies. Steve was hoping to utilize any released funds (based upon completed reclamation work) to fund the construction of the infiltration gallery. He asked that we revisit the language in the Stipulated Consent Order that addressed this provision.
- Bob mentioned that he thought there may be excess funds included in the bond estimate for topsoil application, which is no longer proposed (now proposing composted manure application and reseeding instead). Doug stated he thought Bill Riley had told him that he had a D-8L and a D-6 available to perform the regrading work. A bob-tail truck may have to be rented to haul the manure by trailer to the site.
- Bob stated they had performed another three infiltration tests in the vicinity of the proposed leach field on November 1<sup>st</sup>. He was surprised by the results. Two of the percolation rates were dramatically higher than previous tests (9.2 & 9.4 min/inch). One was much lower (240 min/inch). Pit B had given a perc rate of 48 min/inch. He said he believed they could have the final design plans for the post closure water management plan back to us by November 15<sup>th</sup>. We discussed the possibility of having to perform some retrofitting of the final approved design depending upon actual field conditions encountered once construction begins.
- Bob, Walt and Doug are to develop an oversight schedule for the regrading work.
- Wayne asked how soon they would be scheduling the removal and transport of the hazardous chemicals to KUCC. Bob said that Scott Page was scheduled to go down to the site this week with TW Company to do some profiling work and bid preparation. He said he wanted to transport as much of the materials as possible in one trip. No cash flow problems were anticipated at this time to hold up this work. Bob thought it might take until mid December to get all this work done. We stressed the importance of getting the KUCC materials transported as soon as possible, with the balance of the materials to be removed later.
- We went over the reclamation and closure schedule and made a few changes to the dates. These changes will be reflected in a revised schedule prepared by DOGM and forwarded with the conference call minutes. We confirmed the next conference call for November 21, 2000 at 9:30 a.m.

jb

attachment: revised closure schedule

cc: Steve Flechner, NLMC  
Bob Bayer, JBR  
Beth Wondimu, DWQ  
Dennis Frederick, DWQ  
Pam Grubaugh-Littig, DOGM  
Doug Jensen, DOGM

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Exhibit A - Stipulation and Consent Order

North Lily Mining Company - M/023/007

Please Note: Revisions to schedule are ***bolded and italicized***.

<b>Reclamation and Closure Plan Schedule</b> <b>NORTH LILY MINING COMPANY</b> <b>Silver City, Utah Heap Leach Facility</b>  <i>(Revised 11/14/00)</i>			
	Component	Start Date	Anticipated Completion Date
1.	Restore Pad Perimeter Solution Collection System	May 8	May 9 (completed)
<b>Assessment Review &amp; Schedule Readjustment</b>		<b>May 16</b>	<b>Completed</b>
2.	Design, Build & Start-up Enhanced Evaporation Systems	April 12	<b><i>Complete</i></b>
	2.1 System Design Schematic	April 12	Complete - 4/28
	2.2 Solution Channel Liner Repairs	July 31	<b><i>Complete</i></b>
	2.3 Reinstall ADS pipe underdrain in pad solution channel	Aug 15	<b><i>Complete</i></b>
	2.4 Site Clean-up	May 14	<b><i>Complete</i></b>
	2.5 Flow meter and weir or flume	May 12	<b><i>Complete</i></b>
	2.6 Install new pump	June 15	Complete
	2.7 Install and Start-up Pad Margin Evaporation System	May 12	Abandoned
	2.8 Relocate Evap. away from margin	May 22	Complete
	2.9 Install Overflow Pond Evap. if needed	July 10	<b><i>Complete</i></b>
	2.10 Repair Pregnant Pond Liner	July 5	<b><i>Complete</i></b>
	2.11 Reestablish Pregnant Pond Leak Detection System	July 21	<b><i>Complete</i></b>
	2.12 Construct, Install In-pond Preg-pond Evaporation System	July 17	<b><i>Complete</i></b>
	2.13 Estimate Post-Closure Draindown Rate	August 14	<b><i>(See section 3.2 below)</i></b>
<b>Assessment Review &amp; Schedule Readjustment</b>		<b>June 13</b>	<b>Completed</b>
3.	Design Post-closure Fluid Management System		
	3.1 Conceptual Design	April 15	August 25
	3.2 Final Design	August 10	<b><i>November 15</i></b>

4.	Characterize, Identify, and Quantify Stockpile Topsoil & Topsoil Substitute, Finalize Seed Mix	July 17	<i>Complete</i>
4.1	Nutrient characterization of stockpiled topsoil and estimate stockpile volume	July 17	<i>Topsoil application abandoned due to knapweed infestation</i>
4.2	Determine topsoil thickness requirements	July 17	
4.3	Identify source of topsoil substitute and perform nutrient characterization	July 17	
4.4	Finalize seed mix	July 17	<i>Complete</i>
<b>Assessment Review &amp; Schedule Readjustment</b>		<b>July 13</b>	<b>Complete</b>
5.	Assess Adequacy of Natural Revegetation in Former Land Application Area		<i>Complete</i>
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>August 15</b>	<b>Complete</b>
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>August 29</b>	<b>Complete</b>
6.	Regrade Heap Leach Pad	Oct. 30	<i>November 30</i>
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>Sept. 12</b>	<b>Complete</b>
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>Sept. 26</b>	<b>Complete</b>
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>Oct. 10</b>	<b>Complete</b>
7.	Inventory and Dispose of Salvageable, Recyclable, and Unusable Materials		
7.1	Inventory	July 10	<i>Complete</i>
7.2	Disposal	July 30	<i>December 15</i>
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>Oct. 24</b>	<b>Complete</b>
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>Nov. 8</b>	<i>Complete</i>
8.	Apply amendments ( <i>composted manure</i> ) & seed	Nov. 30	December 20
9.	Decommission Barren and Overflow Ponds (if not necessary for post-closure fluid management system)	Sept. 1	December 31
<b>Assessment Review &amp; Schedule Readjustment Date</b>		<b>Nov. 21</b>	<b>9:30 AM</b>
10.	Construct Post-Closure Fluid Management System	November 1	December 31
<b>On-site Review</b>		<b>December 5</b>	<i>(postpone??)</i>
11.	All reclamation/closure work to be completed except for facilities/features required for post closure monitoring (or post closure fluid management system).		December 31